

Fiscal Note

Fiscal Services Division



SF 455 – Environmental Testing Services Sales Tax Exemption (LSB 2200SV)
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 455 provides a sales tax exemption for certain environmental testing services.

Assumptions

Assumptions for the estimate include:

- The North American Industrial Classification System (NAICS) codes for environmental testing laboratories and services and environmental consulting services were used to identify Iowa businesses with those codes.
- Businesses identified from the Iowa Workforce Development database were matched with a list of businesses remitting sales and use tax to the Iowa Department of Revenue (DoR). The DoR identified 63 businesses with taxable sales of \$23.6 million in FY 2011 and 82 businesses with taxable sales of \$22.2 million in FY 2012.
- Taxable sales growth is estimated at 3.4% in FY 2013, 3.4% in FY 2014, 3.9% in FY 2015, 4.1% in FY 2016, and 3.3% in FY 2017.
- The statewide average local option sales tax (LOST) rate is 0.87%.

Fiscal Impact

State sales and use tax will be reduced by about \$1.4 million in FY 2014 and approximately \$1.6 million by FY 2017 and subsequent fiscal years. Additionally, the local option sales tax (LOST) will be reduced by approximately \$200,000 each fiscal year. The following table provides the estimated fiscal impact of the sales tax exemption and the impact on the State General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and the LOST.

| Sales Tax Exemption for Environmental Testing Services Estimated Change in Revenues (in Millions) | | | | | |
|--|-----------------------|--------------|----------|----------|--|
| | Total State Sales Tax | General Fund | SAVE | LOST | |
| FY 2014 | \$ -1.42 | \$ -1.19 | \$ -0.24 | \$ -0.21 | |
| FY 2015 | -1.48 | -1.23 | -0.25 | -0.21 | |
| FY 2016 | -1.54 | -1.28 | -0.26 | -0.22 | |
| FY 2017 | -1.59 | -1.33 | -0.27 | -0.23 | |
| SAVE = Secure an Advanced Vision for Education | | | | | |
| LOST = Local Option Sales Tax | | | | | |
| Totals may not sum due to rounding. | | | | | |

Sources

Iowa Department of Revenue
LSA calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
